

PUBLIC DISCLOSURE

NOVEMBER 21, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE CANTON INSTITUTION FOR SAVINGS, THE BANK OF CANTON

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DIVISION OF BANKS
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<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **THE CANTON INSTITUTION FOR SAVINGS, THE BANK OF CANTON (The Bank of Canton)** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **NOVEMBER 21, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The Bank of Canton's overall CRA performance reflects the degree of its commitment in helping to meet the credit needs of its assessment area. The bank was evaluated according to the CRA Large Institution Examination Procedures, involving three tests, namely the Lending Test, the Investment Test and the Service Test. These three tests were conducted to determine the bank's overall CRA performance rating for calendar year 2001, and year-to-date 2002. These include the Lending Test, the Investment Test, and the Service Test.

The Lending Test analysis indicates that the bank has made the majority of its small business loans to businesses with gross annual revenues of \$1 million or less and further indicates that the bank has achieved a good loan penetration within major geographies within the assessment area. Residential loans originated by the bank within the various geographies indicate the majority of the census tracts were penetrated.

The Investment Test reflects the bank's support of community development through its provision of donations that benefit affordable housing and community and economic development. to non-profit organizations within the assessment area.

The Service Test indicates that the bank's delivery systems appear to be convenient and accessible to all segments of the assessment area. Low- and moderate-income residents and individuals within the assessment area who speak languages other than English

benefit from the bank's efforts to provide services to the entire assessment area. The bank has provided a reasonable level of community development services within its assessment area. The bank participates with organizations that promote community development.

The institution's rating of "Satisfactory" is based upon its record of ascertaining and helping to meet the credit needs within the entire assessment area in a manner consistent with the bank's resources and capabilities. The individual ratings assigned to the three primary test areas present a more detailed representation of the bank's CRA performance.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of The Canton Institution for Savings, The Bank of Canton, Canton, Massachusetts, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS The Canton Institution for Savings, The Bank of Canton			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory	X	X	X
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

The Canton Institution for Savings, The Bank of Canton (The Bank of Canton) is a state-chartered mutual savings bank headquartered in Canton, Massachusetts. The bank has four full service branch offices including the main office. The branch offices are located at 67 North Main Street in Randolph and 275 Quincy Avenue in Quincy. In November 2000, the bank opened a full -service branch located at 259 Turnpike Street in Canton. Of the four branch offices, none are located in low- or moderate-income census tracts.

As of September 30, 2002, the bank had total assets of \$483.8 million. Total loans, as of this date, were \$298.2 million. Total loans-to-assets was 61.6 percent. The Bank of Canton is primarily a residential mortgage lender, and loans secured by residential real estate account for \$162.8 million or 52.2 percent of the total loan portfolio. Loans secured by 1-4 family residential properties account for \$139.2 million or 44.7 percent of the loan portfolio. Since the last examination, the composition of the bank's loan portfolio indicates slight shifts in composition with the most noticeable increase in construction and land development loans and a decrease in consumer loans. Refer to the following table for additional information.

Loan Distribution as of September 30, 2002		
Loan Type	Dollar Amount \$(000)	Percent (%)
Secured by real estate:		
Construction and Land Development	54,522	17.5
1-4 Family Residential Properties	139,271	44.7
Multi Family (5 or more) Residential Properties	23,491	7.5
Nonfarm Nonresidential Properties	78,786	25.3
Commercial and Industrial Loans	12,748	4.1
Consumer Loans	2,949	0.9
	311,767	100.0

Source: Report of Condition

An analysis of the bank's net loan to deposit ratio indicated that for the period reviewed deposit growth outpaced loan growth. Total deposits increased during the same period by \$139,111,000 or 51.9 percent. The more rapid growth in deposits resulted in a decline in the net loan to deposit ratio. As of September 30, 2002, the net loan to deposit ratio stood at 72.6 percent, down from a high of 94.1 on December 31, 2002.

In a CRA examination conducted by the Commonwealth of Massachusetts on July 24, 2000, The Bank of Canton received a rating of "Satisfactory". The Federal Deposit Insurance Corporation (FDIC) examined the bank for compliance with the Community Reinvestment Act (CRA) on August 15, 2001. The bank received a rating of "Satisfactory" at that time. The bank was examined under the Large Bank CRA procedures for the first time during the FDIC examination.

The performance rating at this examination is based upon the bank's lending for calendar year 2001 and year-to-date November 21, 2002. HMDA data for calendar year 2001 is presented along with aggregate data. Comparisons will also be made to 1990 census data for owner-occupied households as well as all households. Residential real estate home purchases were strong in 2001 and refinances were robust in 2002 when interest rates were declining. Greater weight will be given to the bank's performance for residential real estate lending versus small business lending given that the bank's primary focus is mortgage lending. Small business lending comparisons will be made to demographic data.

There are no apparent financial or legal impediments that would limit the bank's ability to help meet credit needs within the assessment area. Based upon The Bank of Canton's financial condition, size, product offerings, and branch network, the bank's ability to meet community credit needs is considered to be strong.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

The Bank of Canton's assessment area is based upon the location of its four full-service branch offices and the contiguous communities they serve. The current assessment area forms a single contiguous area made up of the municipalities of Canton, Braintree, Quincy, Randolph, Sharon, Stoughton, and Weymouth. All communities are located in Norfolk County and the Boston Metropolitan Statistical Area (MSA).

According to 1990 U. S. Census data, the assessment area has a total population of 263,801 individuals residing in localities that range from the low- and moderate-income geographies within the City of Quincy to the more affluent middle - and upper-income suburban neighborhoods of Canton and Sharon. The municipalities of Quincy and Braintree are considered the commercial centers of the assessment area where the area's two largest industries, service and retail trades, account for largest concentration (46.5 percent and 47.9 percent, respectively). The bank's greatest presence is in Canton where two full-service branches are located. In addition, Quincy and Randolph both have a full-service branch office.

All of the communities located within the bank's assessment area are in the Boston Primary Metropolitan Statistical Area (PMSA).

The assessment area contains a total of 104,991 housing units. Approximately 64,432 or 61.4 percent of these units are owner occupied, 34.4 percent are rentals, and 4.2 percent are vacant. Of the vacant housing units, a small portion (0.1 percent) are boarded-up. The

following table shows the housing characteristics according to various census tract income levels

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>Households</i>	<i>Housing Units</i>	<i>Owner-Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
<i>Low</i>	2.0	1.3	1.2	0.6	2.6	0.8	\$139,600
<i>Moderate</i>	3.9	5.1	5.2	2.7	9.4	6.9	\$140,446
<i>Middle</i>	82.3	84.4	84.6	84.1	84.9	88.1	\$160,888
<i>Upper</i>	11.8	9.2	9.0	12.6	3.1	4.2	\$208,333
<i>Total or Median</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>\$163,804</i>

Source: U.S. Census

Housing demographics show that the assessment area's low-income census tract has a very low number of housing units. Also, at 26.6 percent and 32.6 percent, respectively, low- and moderate-income census tracts have a lower percentage of owner-occupied units than middle-income and upper-income tracts. Middle-income census tracts have an owner-occupancy rate of 61 percent and upper-income census tracts have an owner-occupancy rate of 86.1 percent.

The assessment area's population is made up of 100,614 households. Of these, 21.7 percent are low-income; 15.9 percent are moderate-income; 21.3 percent are middle-income; and 41.2 percent are upper-income. In addition, 6.1 percent of all the households in the assessment area are below the poverty level. The Housing and Urban Development (HUD) adjusted median family income for the Boston MSA was \$70,000 for 2001 and \$74,200 for 2002.

As suggested above, census tracts are also classified according to income. The assessment area contains a total of 51 census tracts of which one is classified as low-income, 2 are moderate-income, 42 are middle-income, and 6 are upper income.

The only low-income census tract is located in Quincy. This census tract, with the lowest rate of owner-occupancy housing, also has the highest rate of households below the poverty level (30.8 percent).

The two moderate-income census tracts are also located in the City of Quincy. The moderate-income census tracts have a population of 11,261, of which 29, or 0.3 percent, reside in group quarters. There are 5,469 housing units, of which 32.6 percent are owner-occupied, the second lowest rate of owner-occupancy.

The neighborhoods in the assessment area are considered suburban residential areas. However, the City of Quincy appears to have the largest concentration of commercial businesses within the assessment area.

Other than branch offices of larger retail banks, the bank has no other local competitors within its peer category. Competition for the bank comes from large regional and national mortgage lenders who compete for residential market share in the bank's assessment area.

A community contact was conducted at this examination. The contact was with a local town planning and community development authority. Currently, the agency provides funding to rehabilitate housing units for low- and moderate-income individuals and families. They also offer a first time homebuyer program. The contact stated that the rising real estate prices in his community have made it more difficult for lower-income families to attain their housing goals. The contact also stated that flexible, affordable housing programs are needed to help lower-income families purchase a home in the current economic environment.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

Of the three tests, the Lending Test is given the greatest consideration. The evaluation included an analysis of Home Mortgage Disclosure Act (HMDA) reportable loans during the period January 1, 2001, through year-to-date November 11, 2002, and small business loans reported during the period January 1, 2001, through year-to-date November 21, 2002. In addition, residential loan data between competing institutions was analyzed for 2001, the latest date available for comparison of aggregate residential loan information. Since the bank is primarily a residential lender and the loan volume supports this, residential lending was weighed more heavily than small business loan activity.

I. Lending Activity

An analysis of The Bank of Canton's loan-to-assets was conducted. The bank's FFIEC Call Report data were utilized to determine the average loan-to-asset ratio for the last eight quarterly time periods, beginning December 31, 2000 and ending September 30, 2002. The data indicated that the net loan-to-asset ratio for that period averaged 64.2 percent. The average net loan-to-deposit ratio for the same period was 78.4 percent. During the last eight quarters the bank's assets have increased by \$137.5 million or 39.7 percent. In addition, the dollar volume of net loans increased by more than 17 percent. This is considerably less than overall asset growth and resulted in the downward trend of the bank's loan to asset ratio. Net loans to assets went from a high of 72.8 percent as of December 31, 2000 to 61.1 percent as of September 30, 2002, a decrease of more than 11 percent.

The bank's lending activity is further bolstered by loans that the institution handles in a broker capacity. The bank accepts applications for various investor programs, processes the application, and in some instances, conducts the loan closing for loans that are forwarded to other mortgage lenders. These loans are not captured on the bank's HMDA reports; however, this other lending activity is considered favorable since it provides alternative credit options to potential borrowers.

According to aggregate lending data compiled for calendar year 2001, the latest data available, there were 402 other institutions that originated residential loans within the assessment area.

HMDA Loans

The bank originated 686 HMDA-reportable loans totaling \$96.9 million. As the following table indicates, a slight majority of home mortgage loans were originated within the assessment area. Of the total HMDA loans originated during this period, 370 or 53.9 percent by number and 39.1 percent by dollar volume, were granted within the bank's assessment area. Although both the number and dollar volume of the bank's loans are considered, the number of loans originated was weighed more heavily than the dollar volume.

<i>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>2001</i>	206	55.4	20,891	42.0	166	44.6	28,801	58.0
<i>2002*</i>	164	52.2	16,979	36.0	150	47.8	30,232	64.0
<i>Total</i>	370	53.9	37,870	39.1	316	46.1	59,033	60.9

Source: HMDA LAR, Cra Wiz *year-to-date

As noted in the description of the assessment area, the bank is operating within a highly competitive lending environment. Market share data for 2001 was reviewed with respect to this performance criterion. The market share data is based upon loan information submitted to the Federal Reserve in 2001 by all HMDA-reporting lenders that originated residential real estate loans within the assessment area.

Market share data for the 402 lenders that made loans within the assessment area indicated that The Bank of Canton ranked 21st in originated loans, representing 1.0 percent in market share. In order, Washington Mutual Bank, FA and Bank Boston, NA ranked first and second with an 8.06 percent and 5.6 percent market share, respectively.

The demand for residential mortgages within the assessment area remains strong. Residential loan volume in calendar year 2001 increased more than 62 percent over loan volume in calendar year 2000. In contrast, year-to-date volume has surpassed that of the same period in 2001 by almost 15 percent. Favorable low interest rates have resulted in a strong demand for long- term fixed rate mortgage loans. Refinanced home loans for the period accounted for 49 percent of the bank's real estate lending and conventional home purchases accounted for more than 32 percent within the assessment area.

Small Business Loans

The bank originated 201 small business loans for a dollar total of \$43.2 million from January 1, 2001, through November 21, 2002. For calendar year 2001, the bank originated 46.8 percent of the total number of loans and 37.5 percent of the dollar volume within the assessment area. For year-to-date 2002, the bank originated 33.6 percent of the total number and 46.0 percent of the dollar volume within the assessment area. Although there was a slight increase in small business loans there is a consistent trend of small business loans origination from locations outside the assessment area, with a total figure that surpasses 60 percent for the period reviewed.

By comparison, small business loans represent a lower percentage of loans originated within the assessment area than HMDA-reportable loans. Since the small business loan volume is considerably lower than that of HMDA-reportable loans and the bank's focus has been established as a residential lender, the small business loan analysis is weighed less than the residential loan analysis. Also, similar to the review of residential loans, the bank's performance under this portion of the lending test is based upon the number of loans originated by the bank versus the dollar amount due to the different credit needs of businesses inside and outside the assessment area.

The following table reflects the number and dollar amounts of small business loans originated between January 1, 2001, and November 21, 2002.

<i>Distribution of Small Business Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>2001</i>	44	46.8	6,941	37.5	50	53.2	11,549	62.5
<i>2002*</i>	36	33.6	11,401	46.0	71	66.4	13,357	54.0
<i>Total</i>	80	39.8	18,342	42.4	121	60.2	24,906	57.6

Source: CRA Data Collection *year-to-date November 21, 2002

Overall, the bank's level of lending within its assessment area is considered adequate.

II. Geographic Distribution

HMDA Loans

The bank's penetration of census tracts of different income levels is considered adequate. HMDA-reportable loans originated by the bank were analyzed to determine the extent of loan penetration within the assessment area's low- and moderate-income geographies.

As the following table illustrates, the bank made only one loan in the low- income tract in 2001, and none year to date 2002. While this one loan represents .5 percent of all loans, out performing the aggregate which demonstrated only .4 percent of loans in low-income tract, and also surpassing the percentage of owner-occupied properties in the low-income census tract, the minimal number mitigates against its further consideration. The distribution of the bank's HMDA-reportable loans originated within the assessment area's moderate-income census tracts was also lower than the aggregate at 1.9 percent in year 2001.

While no aggregate data is available for 2002, the bank's performance is substantially similar to that of 2001. In addition, the bank's level of lending within the low- and moderate-income tracts is proportionately lower, by percentage, than the owner occupancy rate within these areas. This pattern has been consistent throughout the review period. It is further noted that the concentration of owner-occupied housing units is within the middle-income census tracts. The aggregate numbers more closely mirror the rate of owner-occupancy within the assessment area.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>								
<i>Census Tract Income Level</i>	<i>% Total Owner- Occupied Housing Units</i>	<i>Aggregate Lending Data (% of #) 2001</i>	<i>2001</i>		<i>2002*</i>		<i>Total</i>	
			<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	0.6	0.4	1	0.5	0	0.0	1	0.3
<i>Moderate</i>	2.7	3.5	4	1.9	3	1.8	7	1.9
<i>Middle</i>	84.1	82.4	140	68.0	109	66.5	249	67.3
<i>Upper</i>	12.6	13.7	61	29.6	52	31.7	113	30.5
<i>Total</i>	100.0	100.0	206	100.0	164	100.0	370	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data *year-to-date

Small Business Loans

The penetration of small business loans within census tracts of different income levels is also considered adequate. The following table indicates the distribution of the bank's small business loans originated within the assessment area by number of loans. For comparison purposes, the following table also includes a breakdown by percentage of the more than 15,700 small businesses that operate within the four census tract categories.

<i>Distribution of Small Business Loans by Income Category of the Census Tract</i>							
Census Tract Income Level	% of Total Number of Small Businesses	2001		2002*		Total	
		#	%	#	%	#	%
Low	0.3	0	0.0	0	0.0	0	0.0
Moderate	4.9	0	0.0	2	5.6	2	2.5
Middle	75.0	30	68.2	27	75.0	57	71.2
Upper	19.8	14	31.8	7	19.4	21	26.3
Total	100.0	44	100.0	36	100.0	80	100.0

Source: CRA data collection, *year-to-date

The major portion of the local business and development is located within the assessment area's middle-income geographies. Although The Bank of Canton is primarily a residential lender, the bank originated 80 small business loans totaling \$18.3 million for the period reviewed. The geographic distribution of the bank's small business loans among census tracts of different income levels is less than the level of business development within the assessment area, especially within the low- and moderate-income census tracts. Small business loans originated within the moderate-income tracts represented 5.6 percent of the bank's total small business loan originated in 2002. However, no loans were originated in all of 2001. The bank made no loans within the low-income tract for either year. The majority of small business loans in both years was made in middle-income census tracts.

III. Borrower Characteristics

HMDA Loans

The distribution of loans reflects an adequate penetration among borrowers of different income levels. For comparative purposes, the distribution of the assessment area's 100,614 households by borrower income level and 2001 aggregate data is indicated in the following table.

<i>Distribution of HMDA Loans by Borrower Income</i>								
<i>Median Family Income Level</i>	<i>% Total Households</i>	<i>Aggregate Lending Data (% of #) 2001</i>	<i>2001</i>		<i>2002*</i>		<i>Total</i>	
			<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	21.6	3.8	14	6.8	18	11.0	32	8.6
<i>Moderate</i>	15.9	17.6	40	19.4	40	24.4	80	21.6
<i>Middle</i>	21.3	28.0	72	35.0	54	32.9	126	34.1
<i>Upper</i>	41.2	34.0	75	36.4	49	29.9	124	33.5
<i>NA</i>	0.0	16.6	5	2.4	3	1.8	8	2.2
<i>Total</i>	100.0	100.0	206	100.0	164	100.0	370	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data *year-to-date

The Bank of Cantons' loan distribution displays a good dispersion among borrowers of low and moderate-income. The number of loans made to low-and moderate-income borrowers has been consistently higher than that of the aggregate. In 2001, the bank granted 6.8 percent of its HMDA-reportable loans to low-income borrowers. While this did not approach the percentage of households in that income category or, 21.6 percent, it did surpass the aggregate lending level of 3.8 percent. It should be noted that approximately 6 percent of the low-income households are below the poverty level and could not afford the costs associated with homeownership. The bank's distribution of loans among moderate-income borrowers was also good, with 19.4 percent of all loans made to borrowers in that income level in 2001. This level exceeded the percentage of households falling into this category or 15.9 percent; it further exceeded the aggregate lending percentage of 17.6 percent. There appears to be no clear majority in the distribution of loans by income category. Approximately 34 percent of all residential mortgages were made to middle and upper-income borrowers respectively.

To assist lower income individuals achieve homeownership the bank offers a variety of mortgage programs, some with flexible underwriting, including higher debt-to-income ratios or smaller down payment requirements.

Small Business Loans

A review of the bank's small business data indicated that a substantial majority of small business loans originated during the period reviewed were granted to businesses with gross annual revenues of less than \$1,000,000. Approximately 66.2 percent of small business loans were made to businesses that had revenues of less than \$1,000,000. It is noted that the percentage of loans to businesses with revenues of \$1,000,000 or less has increased. The amount of small business loans by dollar amount indicates that slightly more than half of the dollars, or 56.7 percent, have gone to businesses with revenues of less than \$1,000,000.

<i>Distribution of Small Business Loans by Gross Annual Revenues of Business</i>						
<i>Gross Annual Revenues (000s)</i>	<i>2001</i>		<i>2002*</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i><= \$1,000</i>	28	63.6	25	69.4	53	66.2
<i>> \$1,000</i>	16	36.4	11	30.6	27	33.8
Total	44	100.0	36	100.0	80	100.0

Source: CRA Data Collection *year-to-date

The distribution of small business loans by loan size was analyzed. The Bank of Canton granted 48.7 percent of the number of small business loans, by number, in dollar amounts of less than \$100,000. This reflects the bank's commitment to serving the credit needs of smaller businesses within the assessment area. Refer to the following table for more detail.

<i>Distribution of Small Business Loans by Loan Size</i>						
<i>Loan Size (000s)</i>	<i>2001</i>		<i>2002*</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>< \$100</i>	24	54.5	15	41.7	39	48.7
<i>\$100 - \$250</i>	12	27.3	7	19.4	19	23.8
<i>> \$250 - \$1,000</i>	8	18.2	14	38.9	22	27.5
Total	44	100.0	36	100.0	80	100.0

Source: CRA Data Collection *year-to-date

In summary, the bank has achieved a very good distribution of loans among borrowers of different income levels and businesses of different sizes.

IV. Community Development Lending

The CRA regulation defines a community development loan as a loan that: 1) has as its primary purpose community development; 2) except in the case of a wholesale or limited purpose bank, has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling loan; and benefits the assessment area or a broader statewide or regional area that include the bank's assessment area.

The Bank of Canton has exhibited a fair level of performance under the community development lending criterion. During the period reviewed, the bank provided community development loans, for a total dollar amount of more than \$1.1 million. The following is a summary of loans to the various organizations within the assessment area:

- In April 2002, the bank granted a loan of \$553,000 for the acquisition of a 22-room Single Room Occupancy boarding house in Stoughton.
- In April 2002 the bank refinanced three mortgages totaling \$570,000 on multi-family rental properties in Quincy.

In addition, the bank provided over \$2 million in financing for the acquisition, construction, or rehabilitation costs on properties in areas outside of the bank's assessment area. These loans were granted to companies and individuals that provided affordable rental housing to low- and moderate-income individuals and families.

V. Innovative or Flexible Lending Practices

The Bank of Canton has developed or participated in innovative and flexible lending programs designed to help meet the credit needs within its assessment area. These programs use flexible criteria and underwriting standards. The following is a summary of these programs.

Residential Lending Programs

Mass Housing (formerly Massachusetts Housing Finance Agency) Programs

These programs offer flexible downpayment requirements for the purchase of owner-occupied 1-to-4 family residential properties. The 97 program features a 30-year fixed rate mortgage with flexible debt-to-income ratios and a 3 percent downpayment requirement. Maximum income and acquisition costs apply. For calendar year 2001 the bank made 33 loans totaling \$4.7 million.

The Saleable Low Doc Program

This program is offered through the bank's broker services. The program is available for purchase or refinance of owner-occupied 1-to-2 family properties or non-owner occupied single-family properties. Income verification is not required for individuals that meet certain credit criteria. A total of 72 loans totaling \$13.8 million were granted in 2001.

Small Business Loans

The Quincy 2000 Corporation Loan Pool

This non-profit community development corporation promotes business development and job creation within the City of Quincy. This pool is a resource for alternative financing for start-up businesses, business expansion, or improvement of existing businesses in Quincy. For 2001 and 2002 the bank's participation in two loans totaled \$130,000.

Other Loan Programs

The bank also provides various in-house and external loan programs. Many of these programs offer flexible underwriting criteria such as higher debt-to-income ratios for individuals with strong credit histories and steady employment. Adjustable-rate and fixed-rate programs are available with varying terms and pricing. Many of these programs support the bank's lending performance by increasing lending options to borrowers of all income levels.

VI. Fair Lending Policies and Practices

The Bank of Canton's fair lending practices were reviewed to determine how they relate to the guidelines set forth in Regulatory Bulletin 2.3-101, the Division of Bank's Community Reinvestment and Fair Lending Policy. The bank maintains a formal fair lending policy. The loan policy makes reference to fair lending regulations such as ECOA. Employees undergo fair lending and diversity training different times throughout the year.

Some members of the bank's staff volunteer time to a variety of area organizations in need of their expertise. Primarily, The Bank of Canton markets its services and products to the community through print media and the Internet. Seminars are also conducted in order to

make potential customers aware of the services the bank offers. In addition, there are some employees and a fee-loan originator who speak a second language, which aids customers who may not be fluent in English.

Minority Application Flow

A review of the bank's residential loan application flow was conducted. The purpose of the review is to determine the number of applications the bank received from minority applicants.

As indicated in the following table the bank received a total of 535 residential applications from individuals within the assessment area during the review period. A total of 106 applications, or 19.8 percent, was received from minority applicants. Of the 106 minority applications received 58, or 55 percent, were approved.

The bank's minority application flow was compared with the racial composition of the assessment area. In addition, the application flow was compared to the 2001 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the number of applications the bank receives from minority applicants.

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE DATA 2001		BANK 2001		BANK 2002*		BANK TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	84	0.3	1	0.4	1	0.4	2	0.4
<i>Asian</i>	1,355	4.8	36	13.0	30	11.5	66	12.4
<i>Black</i>	898	3.2	12	4.4	11	4.2	23	4.3
<i>Hispanic</i>	291	1.0	1	0.4	3	1.1	4	0.7
<i>Joint Race</i>	322	1.1	4	1.5	3	1.1	7	1.3
<i>Other</i>	312	1.1	1	0.4	3	1.1	4	0.7
Total Minority	3,262	11.5	55	20.1	51	19.5	106	19.8
<i>White</i>	15714	56.0	158	57.7	154	59.0	312	58.3
<i>NA</i>	9,115	32.5	61	22.3	56	21.5	117	21.9
Total	28,091	100.0	274	100.0	261	100.0	535	100.0

*Source: PCI Services, Inc., CRA Wiz Software. *year-to-date

According to the 1990 U.S. Census Data, the bank's assessment area contained a total population of 263,801 individuals. Minority individuals in this area accounted for 6.77 percent of the total population. Aggregate information for 2001, as shown in the above table, indicated that 11.5 percent of the total applications received from all other HMDA reporters were from minority applicants. By comparison, The Bank of Canton's minority

flow for 2001 is higher than the aggregate. It is also noted that the bank's minority flow for 2001 is proportionately higher than the assessment area's minority population.

VII. Loss of Affordable Housing

The bank's lending programs that include community development and flexible underwriting have assisted low- and moderate-income individuals to remain in their neighborhoods.

Summary-Lending

The Bank of Canton has achieved a satisfactory level in regards to its lending performance. While the amount of lending has increased during the past year and is considered to be good, the percentage of lending within the assessment area is adequate.

The bank has achieved an acceptable level of lending within census tracts of different income levels, and a good distribution of loans according to borrower income and businesses of different sizes. The bank has exhibited an adequate level of community development loans, as well as flexible loan products. Finally, the bank Fair Lending is satisfactory; while the minority application rate is better than the aggregate.

INVESTMENT TEST

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area through its use of qualified investments that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. The following describes the institution's qualified investments.

Federal National Mortgage Association (FNMA) Pool

In May 2001, The Bank of Canton purchased a Federal National Mortgage Association (FNMA) security that is backed by a pool of 17 mortgage loans targeted toward low and moderate-income borrowers. Four of the 17 loans were to borrowers within the bank's

assessment area; three were in moderate-income census tracts and one was in a middle-income census tract. The book value as of October 31, 2002 is \$86,798.

The bank also purchased another security in November 2002 that is backed by five mortgage loans. Although all of the mortgage loans are outside of the bank's assessment area, they were granted to borrowers of low and moderate incomes. The initial investment was \$1,385,200.

Contributions

Other forms of qualified investments consist of charitable contributions. From January 1, 2001 through December 31, 2002 the bank granted approximately \$26,535 in donations that are considered to be qualified investments as defined under the CRA regulation. The majority of the organizations that have received grants from the bank provide affordable housing, shelter, health care, credit counseling, homebuyer education, and small business promotions. Some of the entities receiving donations from the bank included:

- **Caritas Communities**, located in Braintree, this organization purchases and maintains single family rooming houses for very low-income working adults. The bank's contribution was to Caritas Communities affordable housing program.
- **Consumer Credit Counseling Service of Southern New England**, a nonprofit organization that provides financial counseling and educational programs for families and individuals.
- **Neighborhood Housing Services of the South Shore, (formerly the Quincy Neighborhood Housing Services)**, a public, private partnership devoted to neighborhood revitalization by promoting developing and maintaining affordable housing.
- **Quincy Interfaith Sheltering Coalition (Father Bill's Place)**, a Quincy based homeless shelter and provider of related services to the South Shore community. The bank's contributions were to support the Survival Emergency Shelter for homeless teenage children, as well as help establish permanent housing for nearly 100 formerly homeless adults.
- **Town of Randolph Council on Aging**, assists senior citizens and veterans living in the Town of Randolph. The bank's donation was towards the purchase of a **Senior Citizen Van**. The van is used by the Council on Aging to transport senior citizens to their medical appointments, both within and outside of Randolph, and to bring them to the Senior Center for classes, speakers, meals, etc. Reportedly, Randolph has over 6,500 individuals that depend upon the Council on Aging to assist them since many seniors no longer are able to drive.

Membership Dues

Massachusetts Community and Banking Council

The bank continues its membership in the Massachusetts Community and Banking Council (MCBC). This organization was established to encourage community investment in low and moderate-income and minority neighborhoods. Membership in MCBC consists of representatives from both community organizations and financial institutions. MCBC operates through several committees, which focus on such areas as banking services, mortgage lending, small business, and affordable housing. Through the work of these committees, MCBC works to promote a better understanding of the credit and financial needs of low-and moderate-income and minority neighborhoods and to provide assistance in addressing these needs. The level of MCBC's dues is determined by the asset size of the institution. The 2002 dues amounted to \$1,250.00

CONCLUSION (Investment Test)

Overall, the bank has made an adequate amount of qualified investments in the form of donations. The donations have been granted to community organizations, which assist the needs of low and moderate-income individuals and families. These organizations provide affordable housing, shelter, health care, credit counseling, homebuyer education, and neighborhood revitalization. A rating of satisfactory is assigned.

SERVICE TEST

The institution's Service Test performance was rated an overall "Satisfactory." This rating is based upon an evaluation of the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The Bank of Canton's officers and staff, at all levels, have addressed community credit needs through their involvement in a wide range of community organizations. These organizations are targeted to low- and moderate-income individuals in particular and are located throughout the assessment area. The types of products and services offered to consumers are considered to meet the needs of the communities served.

The following details the institution's services.

RETAIL BANKING SERVICES

Distribution of Branches

The Bank of Canton's distribution of branches is accessible to all customers who reside within the assessment area. Also, the bank provides an adequate process for opening and closing a branch office. There are four branch offices, including the main office, that serve customers. Although there are no branch offices within low- and moderate-income geographies the branch office locations appear to adequately reach all segments of the assessment area, including low- and moderate-income areas. The bank has not opened or closed any branch office since the last CRA evaluation.

<i>Distribution of Bank Offices by Income Category of the Census Tract</i>						
<i>Census Tract Income Category</i>	<i>Census Tracts in Assessment Area</i>		<i>Households</i>		<i>Bank Offices by Tract Location</i>	
	#	%	#	%	#	%
<i>Low</i>	1	2.0	1,258	1.3	0	0.0
<i>Moderate</i>	2	3.9	5,168	5.1	0	0.0
<i>Middle</i>	42	82.3	84,886	84.4	3	75.0
<i>Upper</i>	6	11.8	9,302	9.2	1	25.0
Total	51	100	100,614	100	4	100

Source: U.S. Census and Bank Public File

Hours of Operation

The effectiveness of the bank's retail system in meeting the needs of the assessment area is further supported by the hours of operation. The bank's business hours are comparable to those other institutions of similar size and operating capacity. However, operating hours vary slightly by branch location. All offices offer extended hours at least one evening during the week as well as Saturday hours. All four of the offices provide drive-up banking Monday through Saturday. The Quincy branch office provides drive-up teller service Monday through Friday from 7:30 a.m. to 5:00 p.m., with extended hours on Thursday until 7:00 p.m., and Saturday from 9:00 a.m. to 1:00 p.m. The bank's main office offers drive-up banking Monday through Friday from 8:00 a.m. to 4:00 p.m., with extended hours until 6:00 p.m. on Thursday, and Saturday from 9:00 a.m. to 12:00 p.m.

Alternative Retail Banking Services

The Bank of Canton provides 24-hour banking by providing Automated Teller Machines (ATM) and telephone banking services. ATM capabilities for both checking and savings accounts are offered, as well as point of sale capabilities for checking account holders. The ATM locations include the main office location (2), one at the Route 138 location and another at Crowell's Market, all in Canton. The Quincy and Randolph branch offices also provide 24-hour ATM service. The bank is a participant in the SUM network, which makes the accessibility of financial services more affordable. This service allows the bank's customers surcharge-free use of ATMs operated by other SUM alliance member banks.

The bank offers customers the convenience of telephone banking. This service allows the customer to perform account inquiries, transfer funds, make loan payments, check current interest rates, and calculate loan payments.

The bank's web site, located at www.thebankofcanton.com includes 24-hour Online Banking services. The web site provides a comprehensive overview of all of the bank's personal and commercial banking services.

The bank offers several free or low-cost checking and savings accounts. Some accounts have very low or no monthly service charges. In addition, many of the deposit accounts offer favorable interest rates. Many of the checking and savings accounts meet the minimum standards necessary to qualify as basic banking products under the Massachusetts Community Banking Commission's Basic Banking Program. The Bank of Canton also offers financial services to non-bank customers, including cashing of state, federal government, and welfare checks.

COMMUNITY DEVELOPMENT SERVICES

The Bank of Canton provides a range of community development services that have resulted in increased awareness of community needs, and have contributed to the overall revitalization of the communities served. The CRA regulation defines a community development service as a service that is primarily for a community-development purpose, and is related to the provision of financial services. The following are a few examples of how the bank's participation with various organizations has benefited the assessment area.

Canton Area Helpline - A Senior Vice President of Operations serves as Treasurer, Secretary, and President of this organization and serves on the Board of Directors. This organization provides financial assistance to low and moderate-income families throughout Canton.

Mayor's Fair Housing Commission of Quincy - The Regional Lending Manager of the Quincy Branch serves as the Treasurer of this organization. The Mayor's Fair Housing Commission promotes affordable housing and generates funds to assist in the rehabilitation of rental property throughout the City of Quincy.

Neponset Valley Chamber of Commerce - A Senior Vice President of Lending serves on the Chamber's Economic Development Committee and its Board of Directors. The Neponset Valley Chamber of Commerce Economic Development Committee promotes economic stability in the area by planning and making improvements to public transportation, working in zoning laws, and by reviewing special planning projects.

Quincy 2000 Loan Pool - A Vice President of Commercial Lending serves as a committee member of the small business loan pool. This organization provides an alternative credit program to new or small businesses that may not qualify for a loan under normal standards.

South Shore Economic Development Corporation - A Senior Vice President of Commercial Lending serves on the Board of Directors of this organization. This organization is a subsidiary of the South Shore Chamber of Commerce. The Development Corporation approves loans for economic development projects that promote business development and job creation. This organization also reviews loans submitted to Small Business Administration.

Norwood Housing Committee - A Senior Vice President of Lending is a member of the Board of Directors for this organization. The goal of this committee is to promote the development of affordable housing in Norwood.

Educational Services and Seminars

In addition to its work with local community organizations, The Bank of Canton recognized the need for and established a wide variety of consumer education programs. Program topics have benefited small business owners, aspiring entrepreneurs, first-time homebuyers, school children and senior citizens. The bank's educational training is detailed below.

First Time Homebuyer Seminars

During 2001 and 2002, the bank held three homebuyer seminars. Featured speakers consisted of a realtor, an attorney, and a mortgage-lending representative from the bank. The seminars were held at the Route 138 branch in Canton and the Randolph branch in

November 2001 and again at the 138 branch in May 2002. During 2001 and 2002, The Bank of Canton approved 12 mortgages from customers that attended these seminars.

In addition to the bank's own seminars, representatives of the bank are actively involved in other homebuyer seminars sponsored by local organizations. These organizations include the Randolph Banking Collaborative, the Neighborhood Housing Services of the South Shore, and the Quincy Community Action Program. A representative from The Bank of Canton participated in Cantonese home buying workshops sponsored by Quincy Community Action Programs.

In April 2001, a bank manager, in conjunction with The Randolph Banking Collaborative, participated in a first time homebuyer workshop held at the Randolph Town Hall. In August 2001, another workshop was presented whereby a bank manager conducted a seminar called "Introduction to the Mortgage Process." Topics included the following: how to qualify for a mortgage, how to obtain credit, requirements for downpayment, closing costs, and documents required to file a mortgage application.

In June 2001, a bank representative participated in a two day first-time homebuyer workshop sponsored by the Quincy Community Action Programs, Inc. A case study was presented describing income and debt ratios. In addition, mortgage terminology was covered as well as programs such as MHFA, Soft Second, and Freddie Mac Alt 97 Program for borrowers who may not qualify, due to income limits, for City and State Programs.

In October 2001, the bank sponsored two first time homebuyer workshops for Neighborhood Housing Services. A bank employee covered the "Introduction to the Mortgage Process." The purpose of this workshop was to take the confusion out of the homebuying process.

OTHER SERVICES

Employees of The Bank of Canton have also assisted senior citizens and youth throughout the assessment area with banking needs and discussions on financial services. Refer to the following:

Town Brook House - Two employees of the Quincy branch visit the Town Brook House in Quincy every other Tuesday to discuss financial services and to help residents with their banking needs.

Trilling House - Employees of the Randolph Branch visit this Senior Citizen Housing Complex weekly to discuss financial services and to assist residents with their banking needs. In addition, employees of the branch have assisted the South Shore Elder Services with a seminar on Money Management.

Savings Makes Cents - In 2001, a bank representative participated in this State Treasurer sponsored program, which targeted third grade students in the Canton public schools.

CONCLUSION (Service Test)

As depicted above, The Bank of Canton's systems for delivering retail-banking services are accessible to geographies and individuals of different income levels within its assessment area. The bank's officers and employees have provided an adequate level of service activities and involvement in community organizations primarily for community development purposes and related to the provision of financial services. Many of the organizations that bank management and employees have taken a leadership role in promote economic development or target the revitalization of business communities. Bank management and staff have sponsored and participated in various educational seminars. The bank's service activities are considered to be adequate.

APPENDIX A

SCOPE OF EXAMINATION

The Canton Institution for Savings, The Bank of Canton

SCOPE OF EXAMINATION: The examination included an on-site analysis of all HMDA and CRA reported loans for the period noted below.

Residential aggregate loan data was reviewed during the examination and included comparative loan data between competing institutions. The Canton Institution for Savings has one assessment area, which was reviewed using the large bank examination procedures.

TIME PERIOD REVIEWED: January 1, 2001– November 21, 2002

PRODUCTS REVIEWED: HMDA-reportable Loans and Small Business Loans

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

THE CANTON INSTITUTION FOR SAVINGS, THE BANK OF CANTON

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **NOVEMBER 21, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

